

rates.<sup>28</sup> In order to determine the reasonableness of Bell Atlantic's overhead loading, the Bureau required Bell Atlantic to provide comparisons of the video dialtone overhead loading with that of other new services.

In its Direct Case, Bell Atlantic argues that its average overhead allocation for all video dialtone services is approximately 20 percent. It claims that this is reasonable because "unlike most other new services launched by Bell Atlantic, video dialtone will compete with entrenched incumbents that have already achieved market dominance."<sup>29</sup> Bell Atlantic argues that even though it would be economically rational for Bell Atlantic to price video dialtone services with significantly lower overhead loadings than its telephone services, it has used overheads comparable to those applied for 5-year DS 3 channel termination services (1.27) and DS1 channel termination service (1.3).<sup>30</sup> Bell Atlantic states that any material increase in overhead would cause the price of the service to increase, thereby causing customer demand to decrease.<sup>31</sup>

As MCI demonstrated in its Petition to Reject or, Alternatively, Suspend and Investigate, filed February 21, 1995, Bell Atlantic has used

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<sup>28</sup> Bell Atlantic Telephone Cos. Revisions to Tariff F.C.C. No. 10 Rates, Terms, and Regulations, Order, DA 95-1285 (released June 9, 1995) ("Suspension Order").

<sup>29</sup> Bell Atlantic Direct Case at 64.

<sup>30</sup> Id.

<sup>31</sup> Bell Atlantic Direct Case at 65.

unusually low overhead loadings for its video dialtone rate elements. In all cases, the overhead loadings are far less than comparable switched access loadings. This inconsistency raises an issue under the Commission's new services test, which requires carriers to utilize overhead loadings that are comparable to similar services.<sup>32</sup> While carriers are allowed to use different loadings, they are required to explain any deviations from consistent overhead loadings.

First, Bell Atlantic offers no explanation why overheads applied to 5-year term plans should serve as a basis of comparison for a new video service which has no term commitment. Second, even if those are the correct comparable services, Bell Atlantic is using an overhead loading that is even lower than for those services.

Below is an illustrative table demonstrating that Bell Atlantic's overhead loadings for similar telephone services are significantly higher than the proposed 20 percent. The table clearly demonstrates that the overhead loading factor that Bell Atlantic should apply to its video dialtone services should be between 1.5 and 2, at a minimum.

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<sup>32</sup> Section 61.49(g)(2) of the Commission's rules specifically requires that new service tariff filings must be accompanied by cost data sufficient to establish that the new service will not recover more than a just and reasonable portion of the carrier's overhead costs. See 47 C.F.R. §61.49(g)(2).

<b>Service</b>	<b>Rate/Dir. Cost</b>
DS3 Dir. Trnk Term. - Chan. Mile. [fixed] Zone 1	1.36
DS3 Dir. Trnk Term. - Chan. Mile. [fixed] Zone 2	1.22
DS3 Dir. Trnk Term. - Chan. Mile. [fixed] Zone 3	1.24
DS3 Dir. Trnk Term. - Chan. Mile. [per mile] Zone 1	4.73
DS3 Dir. Trnk Term. - Chan. Mile. [per mile] Zone 2	4.08
DS3 Dir. Trnk Term. - Chan. Mile. [per mile] Zone 3	1.66
DS3 Entrance Facilities - Electrical	1.33
DS3 Entrance Facilities - Optical	1.96
DS3C Dir. Trnk Term. - Chan. Mile. [fixed] Zone 1	1.36
DS3C Dir. Trnk Term. - Chan. Mile. [fixed] Zone 2	1.22
DS3C Dir. Trnk Term. - Chan. Mile. [fixed] Zone 3	1.24
DS3C Dir. Trnk Term. - Chan. Mile. [per mile] Zone 1	4.73
DS3C Dir. Trnk Term. - Chan. Mile. [per mile] Zone 2	4.08
DS3C Dir. Trnk Term. - Chan. Mile. [per mile] Zone 3	1.66
DS3C Entrance Facilities - Electrical	2.47
DS3C Entrance Facilities - Optical	3.89
DS3C NRC	na
DS3G Basic Svc. Argmt. - NRC	na
DS3G Entrance Facilities - Electrical - Channel	1.75
DS3G Entrance Facilities - Electrical - Svc. Argmt.	2.73
DS3G Entrance Facilities - Optical - Channel	2
DS3G Entrance Facilities - Optical - Svc. Argmt.	4.62
Additional Single Attached Node	2.99
Dual Attached Node	1.56
Initial Single Attached Node	2.16
Mileage	1.84
Repeater	1.67
Video Switch - 48 x 48	1.51
Video Switch - General Purpose Interface	1.72
Multichannel Video - Channel Term. - pt.-to-pt.	1.6
Multichannel Video - Channel Term. - pt.-to-hub	1.21
Multichannel Video - Fixed	9.17
Multichannel Video - Per Mile	4.11

If the Commission allows Bell Atlantic to use these overhead loading factors that are substantially below those reflected in its voice telephony rates, it will be permitting Bell Atlantic to use its telephony rates to subsidize its low video rates. This will be contrary to the Commission's determination in the Video Dialtone Reconsideration Order that it would not allow such a cross subsidy.<sup>33</sup>

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<sup>33</sup> Video Dialtone Reconsideration Order, 10 FCC Rcd at 346.

## **VI. Conclusion**

For the reasons stated above, MCI urges the Bureau to declare Bell Atlantic's proposed video dialtone rates unlawful, and to prescribe a cost assignment methodology for shared or common costs that holds telephone users harmless to investment spurred by Bell Atlantic's venture into video dialtone services. In the alternative, the Bureau should adopt a cost assignment methodology for shared costs that is based on either minutes of use or relative bandwidth. While these methods inevitably shift some video dialtone costs to telephone ratepayers, they at least ensure that the bulk of broadband costs will be borne by users of the broadband network.

Respectfully submitted,  
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November 30, 1995

### STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on November 30, 1995.

A handwritten signature in dark ink, appearing to read 'Don Sussman', is written over a horizontal line.

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**I, Stan Miller, do hereby certify that copies of the foregoing Opposition to Direct Case were sent via first class mail, postage paid, to the following on this 30th day of November, 1995.**

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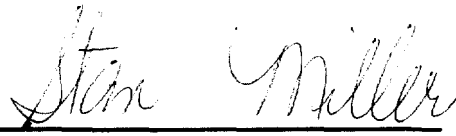
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